



Jackson Claims Branch  
PO Box 12553 | Jackson TN 38308-0138  
3003 Greystone Square | Jackson TN 38305  
p. 731.668.4494 | f. 731.668.4558 | auto-owners.com  
Jackson.clm@aoins.com

April 21, 2021

**VIA CERTIFIED AND REGULAR MAIL (Return Receipt Requested)**

Ms. Louise Graves  
228 Poplar Corner Rd.  
Trenton, TN 38382

**Re: Insured: Louise Graves**  
**Claim No.: 300-0219080-2020**  
**Policy No.: 724619-03630939-19**  
**Property: 3523 Eastend Drive, Humboldt, Tennessee 38343**

Dear Ms. Graves:

The above-referenced claim ("Claim") was made to Auto-Owners (Mutual) Insurance Company ("Auto-Owners"). Auto-Owners investigated the Claim and, by letter dated August 24, 2020, made a payment to you in the amount of \$185,822.78. This payment represented the \$186,822.78 actual cash value ("ACV") of the Claim less your \$1,000.00 deductible.

On September 16, 2020, you made a demand for appraisal in relation to the Claim. Thereafter, the appraisers evaluated the loss and two members of the panel executed an Agreement Award ("Award"), which was provided to counsel for Auto-Owners on Sunday, March 28, 2021.

Auto-Owners has reviewed the Award, along with a .pdf file of the Xactimate summary of the basis for the Award. In addition, Auto-Owners (through counsel) has sought the .esx file from the umpire, Mary Jo O'Neal, to aid in calculating any additional sums that may be owed on the Award. However, to date, Ms. O'Neal has not responded to the requests. This letter is intended to set forth Auto-Owners' preliminary position with respect to the Award.

First, the Award calculated replacement cost value ("RCV") at \$504,443.43, which includes depreciation of \$43,142.64. Under your Tailored Protection Policy ("Policy"), depreciation is not paid until repairs have been made, amongst other conditions. Specifically, Section G(3)(d) & (e) of the Building and Personal Property Coverage Form of your Policy states:

d. We will not pay on a replacement cost basis for any loss or damage:

(1) Until the lost or damaged property is actually repaired or replaced;  
and

(2) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage.

...

e. We will not pay more for loss or damage on a replacement cost basis than the least of (1), (2) or (3), subject to f. below:

(1) The Limit of Insurance applicable to the lost or damaged property;

(2) The cost to replace the lost or damaged property with other property;

(a) Of comparable material and quality; and

(b) Used for the same purpose; or

(3) The amount actually spent that is necessary to repair or replace the lost or damaged property.

If a building is rebuilt at a new premises, the cost described in e.(2) above is limited to the cost which would have been incurred if the building had been rebuilt at the original premises.

Because the subject repairs have not been made and the above-referenced property ("Building") has been sold, Auto-Owners does not believe this \$43,142.64 in depreciation is compensable.

Second, the Award includes \$260,924.58 in costs that appear to relate to ordinance and law portions of the scope.<sup>1</sup> Under your Policy, costs incurred to comply with ordinances and laws are

<sup>1</sup> This is itemized as follows:

Line	Description	Amount
2	R&R Vinyl-faced/laminated insulation - 4"	\$31,002.23
3	R&R Vinyl-faced/laminated insulation - 6"	\$42,737.24
19	R&R Vinyl-faced/laminated insulation - 3"	\$5,922.08
161	Roofing felt - 15 lb. - double coverage/low slope	\$221.95
165	Drip edge	\$467.45
166	Ice & water barrier	\$118.12
174	Tear off asbestos siding (no haul off)	\$394.13
175	Asbestos test fee - full service survey - base fee	\$455.00
182	OSHA Protocol	\$177,806.38
183	Taxes, insurance, permits & fees	\$1,800.00
	<b>Total</b>	<b>\$260,924.58</b>

*Auto-Owners Insurance*

not paid until repairs have been made, amongst other conditions. Specifically, Section E(3)(4) of the Ordinance or Law Coverage portion of your Policy states:

4. Loss payment under Coverage C – Increased Cost of Construction  
Coverage will be determined as follows:

a. We will not pay under Coverage C:

(1) Until the property is actually repaired or replaced, at the same or another premises; and

(2) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.

b. If the building is repaired or replaced at the same premises, or if you elect to rebuild at another premises, the most we will pay under Coverage C is the lesser of:

(1) The increased cost of construction at the same premises; or

(2) The applicable Limit of Insurance shown for Coverage C in the Declarations.

Because the subject repairs have not been made and the above-referenced property (“Building”) has been sold, Auto-Owners does not believe this \$260,924.58 in ordinance and law cost is compensable.

Based on the above analysis, it is Auto-Owners’ conclusion that – at most – an additional \$12,553.43 is owed in relation to the Claim. This letter is not intended to be an exhaustive or final summary of Auto-Owners’ position, nor is it intended to constitute a waiver or release of any of Auto-Owners’ rights, claims, defenses or positions, all of which are reserved. In particular, Auto-Owners continues to have questions concerning whether the May 2019 storm resulted in interior water intrusion (based on the March 2, 2021 examination under oath) and whether there was other insurance available from your tenant to cover the loss (*see, e.g.*, Commercial Property Conditions, Section G), amongst other issues. Auto-Owners will likely not be in a position to make a final determination of its position without the benefit of the umpire’s .esx file and proof of your tenant’s insurance coverage during the storm event.

Respectfully,



Auto-Owners Insurance Company  
Adam Beam CPCU, AIC, AINS  
Field Claims Representative